

EXECUTIVE SUMMARY

The City of Tempe arguably offers the most attractive Central Business District in the Greater Phoenix market. The community has invested a great deal of resources in streetscape programs, development of Town Lake, and many other projects. Due to ASU, the proximity of the Sky Harbor International Airport, and the confluence of several major roads, the Central Business District is poised to capitalize on these investments. Many in the real estate community in Greater Phoenix compare the potential of the market to that of Camelback Road and 24th Street, which is the strongest real estate location in Arizona today.

It is Johnson Consulting's conclusion that Tempe is an ideal location for a mid-sized convention facility, offering approximately 70,000 square feet of exhibit space, a 20,000-square foot ballroom, and additional supporting meeting space. We condition this recommendation on the City of Tempe's broader acceptance of an aggressive strategy to be in the tourism and hospitality business. If it is to succeed, it will have to leverage ASU's identity as a meeting location, expand and improve its hotel offerings, and look at the hospitality sector as it would its neighborhood programs, development of Town Lake, and other projects. If this is accomplished, it will expand visitation to Tempe, improve its facility offerings for special events programming, add retail and restaurant spending to the market, and would likely attract more tourists than currently attend NFL games and the Fiesta Bowl in Tempe combined.

Johnson Consulting has recommended four policy elements to be adopted by the City:

1. Adopt a competitive stance to attract the City's fair share of hotel rooms. Assuming 1,000 room additions per year in the metro area over the next 20 years, target a 15 percent capture rate, or a minimum of 3,000 or more rooms for Central Tempe. Attain these rooms via:
 - a. Supporting development of an ASU Conference Center (250 to 300 rooms)
 - b. Expanding Tempe Mission Palms (250 to 300 rooms)
 - c. Targeting 1,200 to 1,500 rooms in multiple properties surrounding the potential multipurpose convention center
 - d. Consider a zoning condition regarding limited-service hotels that calls for a minimum of 10 square feet of meeting space per hotel room. This will slow development of this lower-end category of product in Tempe and help to diversify demand that it is required to target.

2. Pursue a mid-sized convention and exhibition center with an initial 70,000 to 80,000 square feet of meeting space, a 20,000+ square foot ballroom, and approximately 20,000 square feet of meeting space. Consider a “convention center district” that contemplates multiple hotel sites. A facility of this size will fill a void not met by either local destination resorts or the larger, redeveloped Phoenix Civic Plaza. In fact, such a facility would complement both larger and smaller existing facilities, and would help to diversify the State of Arizona’s overall portfolio of facilities. In addition, this facility would not compete with the expanded Civic Plaza, as the smaller exhibitions that the 610,000-square foot Civic Plaza will target will be too large to be accommodated in a 70,000-square foot facility in Tempe.

3. Encourage development of an ASU-branded conference center as soon as possible, using traditional economic development tools. The facility should offer between 200 to 250 rooms and approximately 40,000 square feet of meeting space. Such a facility will leverage ASU’s brand nationally and increasingly identify Tempe as a meeting venue. A funding approach such as tax-exempt bonds using hotel proceeds, backed by public resources of the City and University could be considered. Because demand will be mostly internal to the conference center, the project would generally have to be an ASU initiative. The more ASU brings the facility into the fold of the City and attracts people to downtown and Town Lake, and the more comprehensive ASU’s strategy is for its conference and continuing education line of business, the more encouraged the City should be to assist.

4. Encourage expansion of the Tempe Mission Palms. This is the fastest way for the City to achieve a larger destination resort property, and one that could serve as a headquarters property on an occasional basis. Based upon experience with similar properties, some financial incentives will be required. The City should use traditional economic development tools to help form a public-private partnership or fund a meeting room block investment with possible use of tax-exempt bonds and lease the facilities back to the owner. The City should measure its investment based on the number of rooms added by the owner (with more rooms leading to more incentives) and require some form of room-block agreement in contemplation of a future convention center.

To help quantify the scale of business and impacts potentially created by each of these projects, Table 2-1 provides a simple calculation of the number of visitor days and direct spending generated by the development of each project.

Table 2-1

Summary of Expected Impacts of Facility Developments*				
	Convention Center	ASU Conference Center	Tempe Mission Palms Expansion	Total
Total Non-Local Visitor Days	213,000	120,998	145,197	479,195
Total Direct Spending (millions)	\$37.3	\$18.1	\$21.8	\$77.2
<i>*Assumes average daily spending of \$175 for convention center attendees and \$150 for other attendees (including hotel spending), and an average length of stay of 2.7 days for convention center attendees and 1.5 days for other attendees.</i>				
<i>Source: Johnson Consulting</i>				

- If the city adopts an aggressive posture towards the hospitality sector, it should boldly target a mid-sized convention center. Such a facility is believed to have strong potential in Tempe. It is expected that the facility could generate 35 conventions and trade shows and 20 consumer shows and festivals in a stabilized year of demand. In addition, 15 sports, recreation, and entertainment events (such as amateur sports tournaments and concerts), 150 meetings and banquets, and 15 community events (such as a marathon media center) could take place in a stabilized year of demand. Based on expected attendance levels for events in a facility of this size, a total of approximately 270,000 attendees could be accommodated in a year. Convention and trade show attendees and sports events will be in Tempe from out of town and will stay in the market for multiple days. Many of the consumer show and local event attendees will originate from outside Tempe and spend money in the market. The convention center is expected to require an annual operating subsidy of approximately \$700,000. As such, its funding mechanism should consider this subsidy and the capital budget of the facility, as well as an increase in resources to address developing and marketing this new line of business.
- The ASU conference center column assumes a 250-room lodging element and a 68 percent occupancy rate. Local social demand is not considered in the calculation, as only visitor demand that generates room nights is measured; however, hundreds of such events would also likely use the facility annually. As a result, this analysis likely understates the overall influence of the conference center. If such a conference center were provided, it would also increase the overall stature of the university and would influence a wide array of events to use other area facilities.

- Expansion of the Tempe Mission Palms is seen as beneficial for several reasons. Depending on the number of rooms added, it could result in a headquarters hotel serving a larger convention and trade show facility if it is ultimately developed. Also, an expansion of its meeting space, especially with addition of a ballroom that is larger than the current ballroom, would address a deficiency in the facility as it exists today.

This study also addresses site options for facilities within geographic boundaries that were outlined in the City's request for proposals for this analysis. For the ASU conference center, three options could be considered and all three could potentially be successful options. The team's preference is in the Hayden Ferry Lakeside area. The setting is ideal and it could accelerate development in this area of Tempe Town Lake.

The convention center's site requirements are much larger than that of a conference center. Generally, a 500-by-600 foot parcel is called for. An urban solution is possible on the west side of Mill Avenue, next to the America West Airlines headquarters. That site is large enough to accommodate a 70,000-square foot convention center (with a ballroom and meeting space on a second level), but may limit the facility's future expansion opportunities. A potentially larger site option that would allow for future expansion is presented on the SunCor/ ASU holdings on Tempe Town Lake.